

**CALENDAR ITEM
C61**

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**CONSIDER ACCEPTANCE OF THE
FINAL REPORT AND CLOSING STATEMENT
FOR THE LONG BEACH UNIT ANNUAL PLAN
(JULY 1, 2014 THROUGH JUNE 30, 2015),
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY**

APPLICANT:

City of Long Beach
Long Beach Gas and Oil Department
Attn: Mr. Ed Farrell, Acting Director
2400 East Spring Street
Long Beach, CA 90806

BACKGROUND:

The City of Long Beach, as required by section 10 of Chapter 138, Statutes of 1964, 1st Extraordinary Session, has submitted to the California State Lands Commission (Commission) the Final Report and Closing Statement (Statement) to the Annual Plan (Plan) for fiscal year (FY) 2014-2015, Long Beach Unit (Unit), covering the period July 1, 2014, through June 30, 2015. This report provides the actual performance for the full FY 2014-2015.

There were no modifications to the original budget of \$435.9 million during the fiscal year. Also, there were no changes made to the amount of funds in or the distribution of funds between the five budget categories.

The average oil and gas rates for FY 2014-2015 were reported to be 23,975 barrels per day (bbls/day) of oil (22 bbls/day lower than the Plan estimate) and 9,098 thousand cubic feet per day (MCF/day) of gas (699 MCF/day higher than the Plan estimate). The reason for the slightly lower-than-estimated oil production rate was reduced development activities. The cumulative recoveries and injection through June 2015 are as follows:

CALENDAR ITEM NO. **C61** (CONT'D)

| | |
|------------------|---------------------|
| Oil Production | 1,035,628 MBarrels |
| Gas Production | 284,373 MMCF |
| Water Production | 9,603,360 MBarrels |
| Water Injection | 11,795,097 MBarrels |

Cumulative Injection - Gross Production Ratio is 1.04 bbls/bbl.

Total expenditures for the Unit were \$328.2 million, which was \$107.2 million less than the approved budget for FY 2014-2015. The lower-than-planned expenditures were primarily the result of less-than-anticipated drilling development, facilities and operation costs for the fiscal year.

Net profit for FY 2014-2015 was \$266.1 million, which was \$76.6 million higher than the approved budget estimate. The higher-than-planned net profits were the result of reduced drilling development and lower facilities and operating expenses.

The approved budget forecast used an oil price of \$70/bbl and a gas price of \$4.00/MCF, whereas the actual prices averaged \$66.60/bbl of oil and \$2.63/MCF of gas for the fiscal year.

See the tables below for additional details.

| ACTUAL OIL AND GAS PRICES, EXPENDITURES, AND NET PROFIT FOR FY 2014-2015 (IN MILLIONS OF DOLLARS) | | | | | |
|--|--|---|--|---|--------------------------------------|
| | ACTUAL FIRST QUARTER FY 14/15 | ACTUAL SECOND QUARTER FY 14/15 | ACTUAL THIRD QUARTER FY 14/15 | ACTUAL FOURTH QUARTER FY 14/15 | ACTUAL TOTAL FY 14/15 |
| Oil Revenue | 217.3 | 151.4 | 98.4 | 118.4 | 585.6 |
| Gas Revenue | 2.8 | 2.4 | 2.1 | 1.3 | 8.7 |
| Expenditures | 93.7 | 84.5 | 88.0 | 61.9 | 328.2 |
| Net Profit | 126.4 | 69.3 | 12.6 | 57.8 | 226.1 |
| Oil Price \$/BBL | 95.51 | 68.38 | 45.69 | 56.25 | 66.60 |
| Gas Price \$/MCF | 3.36 | 2.97 | 2.57 | 1.60 | 2.63 |

CALENDAR ITEM NO. **C61** (CONT'D)

| ORIGINAL BUDGET NET PROFIT AND CHANGE FOR FY 2014-2015 (IN MILLIONS OF DOLLARS) | | | | | |
|--|------------------------------|-------------------------------|------------------------------|-------------------------------|-------------------|
| | FIRST QUARTER FY 14/15 | SECOND QUARTER FY 14/15 | THIRD QUARTER FY 14/15 | FOURTH QUARTER FY 14/15 | TOTAL FY 14/15 |
| Original Budget Net Profit | 52.9 | 44.4 | 47.7 | 44.4 | 189.4 |
| Actual Net Profit | 126.4 | 69.3 | 12.6 | 57.8 | 226.1 |
| Change | 73.5 | 24.9 | (35.1) | 13.4 | 76.7 |

Commission staff has reviewed the Statement, including production, injection, expenditures and revenue figures, and has prepared Exhibits A and B, attached, to represent graphically the actual fiscal year performance compared to the approved budget.

OTHER PERTINENT INFORMATION

1. The staff recommends that the Commission find that acceptance of the Statement does not have a potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment, and is, therefore, not a project in accordance with the California Environmental Quality Act (CEQA).

Authority: Public Resources Code section 21065 and California Code of Regulations, Title 14, sections 15060, subdivision (c)(3), and 15378.

EXHIBITS:

- A. LBU Financial Performance, FY 2014-2015, Annual Plan vs. Actual
- B. LBU Oil Rate Performance, FY 2014-2015 Annual Plan vs. Actual
- C. Letter from the City of Long Beach requesting approval of the Final Report and Closing Statement to the Annual Plan

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the acceptance of the Final Report and Closing Statement to the Annual Plan is not subject to the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15060, subdivision (c)(3), because the subject activity is not a project as defined by Public

CALENDAR ITEM NO. **C61** (CONT'D)

Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

AUTHORIZATION:

Accept for filing the Final Report and Closing Statement to the Annual Plan for the Long Beach Unit, Wilmington Oil Field, Los Angeles County, for the period July 1, 2014, through June 30, 2015.

Exhibit A
LBU Financial Performance
FISCAL YEAR 2014-2015 ANNUAL PLAN VS ACTUAL

W 17166

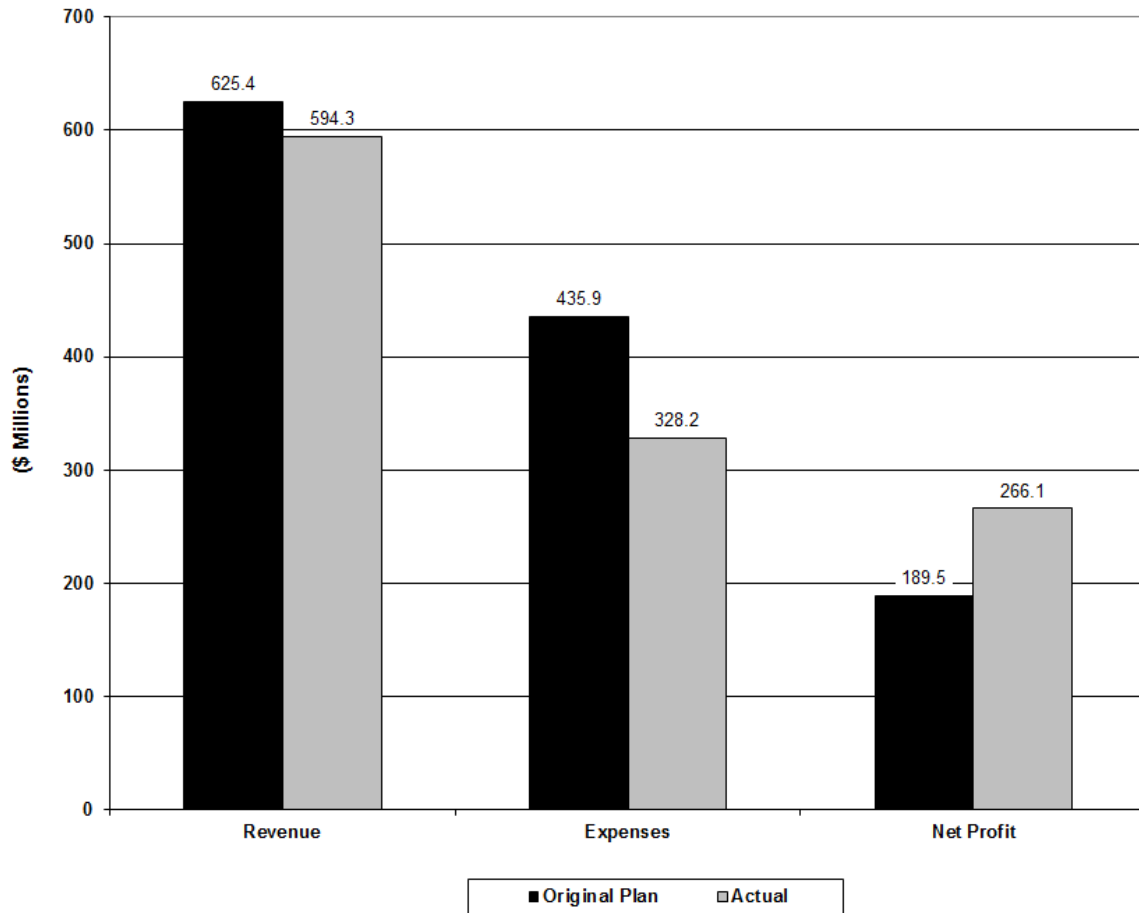


Exhibit B

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LBU OIL RATE PERFORMANCE
FISCAL YEAR 2014-2015 ANNUAL PLAN VS ACTUAL

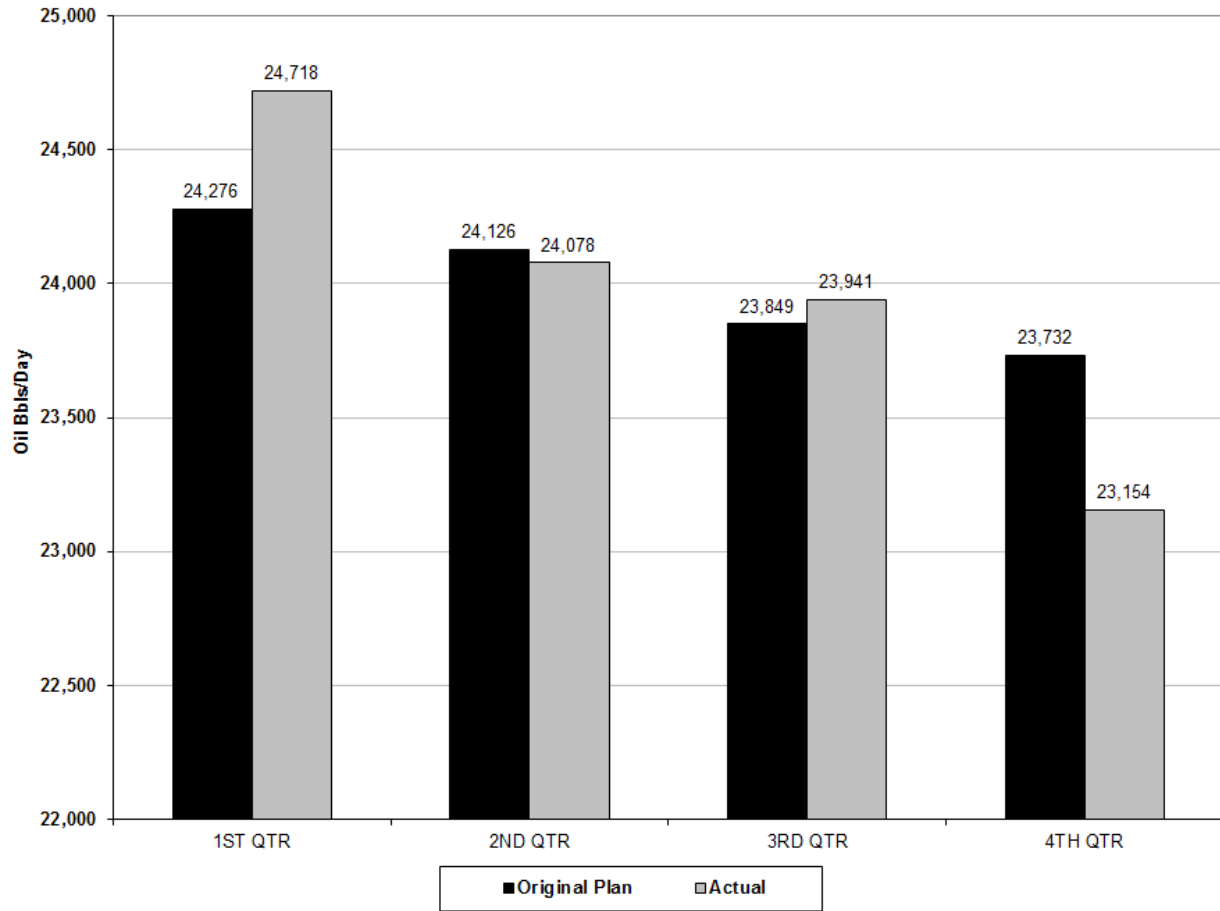


EXHIBIT C

W 17166

CITY OF LONG BEACH



DEPARTMENT

CHRISTOPHER J. GARNER
DIRECTOR

2400 EAST SPRING STREET • LONG BEACH, CA 90806
(562) 570-2000 • FAX (562) 570-2050

www.lbgo.org

August 14, 2015

Ms. Marina Voskanian
Chief, Mineral Resources Management Division
California State Lands Commission
200 Oceangate, 12th Floor
Long Beach, CA 90802-4331

**SUBJECT: REQUEST FOR APPROVAL OF THE FINAL REPORT AND CLOSING STATEMENT
TO THE ANNUAL PLAN (JULY 1, 2014 THROUGH JUNE 30, 2015)**

Dear Ms. Voskanian:

In accordance with provisions of Part IV, Section C, of the Annual Plan, attached for your approval is the final report and closing statement to the Annual Plan covering the period July 1, 2014 through June 30, 2015. This report contains a reconciliation of Unit activities by category.

The Long Beach Unit FY2015 budget was \$435.9 million while the actual spent was \$328.2 million or 75 percent of budget. The slightly lower realized oil prices than built into the Plan combines with the spending cuts implemented in response to lower oil prices have resulted in fiscal year profit of \$266.1 million in comparison to \$189.5 million originally estimated in the Plan.

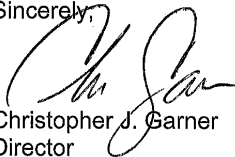
| Funding Category | Budget | Actual | Variance |
|---|--------------|--------------|---|
| Development Drilling | 138.6 | 82.0 | Drilled and completed 47 wells with 1.8 drilling rigs instead of planned 78 wells with three drilling rigs |
| Operating Expense | 102.7 | 95.3 | Slightly lower than budget due to lower plant fuel cost as well as reduction in capital workover and maintenance jobs |
| Facilities, Maintenance, and Plant | 82.6 | 71.6 | Lower spending level as a result of reduction in activity |
| Unit Field Labor and Administrative | 57.7 | 38.8 | Lower spending due to lower activity level, shared services, and pension payments |
| Taxes, Permits, and Administrative Overhead | 54.4 | 40.5 | Lower spending due to lower taxes |
| Total | 435.9 | 328.2 | |

Notes: Numbers in table are in millions of Dollars (rounded).

Ms. Marina Voskanian
August 14, 2015
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Significant effort was made during the Plan period to achieve best-in-class waterflood performance, which is paramount to increasing long-term value for the Unit. The development program was successfully implemented, which was optimized for capital investment, cash flow, and market volatility while maintaining focus on health, environment, and safety. Your concurrence with this Final Report and Closing Statement of the Annual Plan is requested.

Sincerely,



Christopher J. Garner
Director

Attachment: Final Report and Closing Statement – Annual Plan (July 1, 2014 - June 30, 2015)
prepared by California Resources Corporation, August 6, 2015.

CONCURRENCE:

MARINA VOSKANIAN
Chief, Mineral Resources Management
California State Lands Commission

Economic Projections

| Data in Thousands of \$ | ACTUAL FIRST QUARTER FY15 | ACTUAL SECOND QUARTER FY15 | ACTUAL THIRD QUARTER FY15 | ACTUAL FOURTH QUARTER FY15 | ACTUAL TOTAL FISCAL YEAR FY15 | BUDGET TOTAL FISCAL YEAR FY15 | % ACTUAL OVER/UNDER (-) BUDGET FY15 |
|---------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|--|--|--|
| ESTIMATED REVENUE | | | | | | | |
| Oil Revenue | \$ 217,257 | \$ 151,451 | \$ 98,437 | \$ 118,429 | \$ 585,575 | \$ 613,134 | -4.5% |
| Gas Revenue | \$ 2,810 | \$ 2,432 | \$ 2,144 | \$ 1,344 | \$ 8,729 | \$ 12,263 | -28.8% |
| TOTAL REVENUE | \$ 220,067 | \$ 153,883 | \$ 100,581 | \$ 119,772 | \$ 594,304 | \$ 625,397 | -5.0% |
| ESTIMATED EXPENDITURES | | | | | | | |
| Development Drilling | \$ 28,567 | \$ 22,134 | \$ 19,589 | \$ 11,696 | \$ 81,985 | \$ 138,624 | -40.9% |
| Operating Expense | \$ 29,304 | \$ 25,407 | \$ 23,434 | \$ 17,143 | \$ 95,289 | \$ 102,655 | -7.2% |
| Facilities & Maintenance | \$ 17,048 | \$ 18,146 | \$ 21,786 | \$ 14,654 | \$ 71,634 | \$ 82,564 | -13.2% |
| Unit Field Labor & Admin | \$ 11,151 | \$ 8,036 | \$ 11,368 | \$ 8,255 | \$ 38,810 | \$ 57,667 | -32.7% |
| Taxes, Permits & Admin Overhead | \$ 7,640 | \$ 10,822 | \$ 11,824 | \$ 10,193 | \$ 40,479 | \$ 54,412 | -25.6% |
| TOTAL EXPENDITURES | \$ 93,709 | \$ 84,546 | \$ 88,002 | \$ 61,940 | \$ 328,197 | \$ 435,922 | -24.7% |
| NET PROFIT | \$ 126,357 | \$ 69,337 | \$ 12,580 | \$ 57,832 | \$ 266,107 | \$ 189,475 | 40.4% |

Major Planning Assumptions

| | ACTUAL FIRST QUARTER FY15 | ACTUAL SECOND QUARTER FY15 | ACTUAL THIRD QUARTER FY15 | ACTUAL FOURTH QUARTER FY15 | ACTUAL TOTAL FISCAL YEAR FY15 | BUDGET TOTAL FISCAL YEAR FY15 | % ACTUAL OVER/UNDER (-) BUDGET FY15 |
|-------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|--|--|--|
| OIL PRODUCTION : | | | | | | | |
| QUARTERLY (1,000 BBL) | 2,274 | 2,215 | 2,155 | 2,107 | 8,751 | 8,759 | |
| AVERAGE B/D | 24,718 | 24,078 | 23,941 | 23,154 | 23,975 | 23,997 | -0.1% |
| GAS PRODUCTION : | | | | | | | |
| QUARTERLY (MMCF) | 839 | 819 | 823 | 840 | 3,321 | 3,066 | |
| AVERAGE MCF/D | 9,116 | 8,901 | 9,148 | 9,231 | 9,098 | 8,399 | 8.3% |
| WATER PRODUCTION : | | | | | | | |
| QUARTERLY (1,000 BBL) | 97,918 | 97,850 | 97,510 | 95,753 | 389,031 | 379,482 | |
| AVERAGE B/D | 1,064,330 | 1,063,589 | 1,083,442 | 1,052,230 | 1,065,839 | 1,039,676 | 2.5% |
| WATER INJECTION : | | | | | | | |
| QUARTERLY (1,000 BBL) | 104,435 | 104,789 | 102,486 | 102,762 | 414,471 | 409,123 | |
| AVERAGE B/D | 1,135,159 | 1,139,009 | 1,138,731 | 1,129,249 | 1,135,537 | 1,120,885 | 1.3% |
| AVG. OIL PRICE (\$/BBL) | 95.51 | 68.38 | 45.69 | 56.25 | 66.60 | 70.00 | -4.9% |
| AVG GAS PRICE (\$/MCF) | 3.36 | 2.97 | 2.57 | 1.60 | 2.63 | 4.00 | -34.3% |

| <u>Oil Production</u> | | | <u>Gas Production</u> | |
|-----------------------|------------------|------------------|-----------------------|-----------------|
| | Average B/D | Cumulative Mbbls | Average MCF/D | Cumulative MMCF |
| Location | 7/1/14 - 6/30/15 | 6/30/2015 | 7/1/14 - 6/30/15 | 6/30/2015 |
| Grissom | 4,836 | 195,956 | 962 | 32,707 |
| White | 6,015 | 179,720 | 3,104 | 50,208 |
| Chaffee | 6,199 | 225,733 | 2,788 | 76,324 |
| Freeman | 4,240 | 283,274 | 1,437 | 96,255 |
| Pier J | 2,686 | 150,945 | 808 | 28,879 |
| Total | 23,975 | 1,035,628 | 9,098 | 284,373 |

| <u>Reservoir</u> | | | | |
|------------------|---------------|------------------|--------------|----------------|
| SHALLOW GAS | 0 | 0 | 263 | 5,573 |
| TAR | 188 | 2,046 | 89 | 859 |
| RANGER | 18,085 | 770,019 | 6,760 | 180,506 |
| TERMINAL | 3,302 | 151,790 | 989 | 31,397 |
| Union-pac-ford | 2,399 | 107,493 | 973 | 61,062 |
| 237 | 2 | 4,280 | 24 | 4,976 |
| Total | 23,975 | 1,035,628 | 9,098 | 284,373 |

| <u>Water Production</u> | | | <u>Water Injection</u> | |
|-------------------------|------------------|------------------|------------------------|-------------------|
| | Average B/D | Cumulative Mbbls | Average B/D | Cumulative Mbbls |
| Location | 7/1/14 - 6/30/15 | 6/30/2015 | 7/1/14 - 6/30/15 | 6/30/2015 |
| Grissom | 258,318 | 2,360,337 | 285,278 | 2,883,262 |
| White | 253,288 | 1,835,734 | 222,021 | 2,230,970 |
| Chaffee | 198,899 | 1,642,004 | 202,443 | 2,396,503 |
| Freeman | 218,328 | 2,270,591 | 269,107 | 2,460,144 |
| Pier J | 137,005 | 1,494,694 | 156,688 | 1,824,217 |
| Total | 1,065,839 | 9,603,360 | 1,135,537 | 11,795,097 |

| <u>Reservoir</u> | | | | |
|------------------|------------------|------------------|------------------|-------------------|
| SHALLOW GAS | 0 | 0 | 0 | 0 |
| TAR | 1,884 | 11,366 | 2,166 | 25,650 |
| RANGER | 859,273 | 7,952,500 | 920,220 | 9,749,247 |
| TERMINAL | 144,074 | 1,187,319 | 152,136 | 1,449,583 |
| Union-pac-ford | 60,600 | 447,030 | 61,015 | 570,617 |
| 237 | 7 | 5,156 | 0 | 0 |
| Total | 1,065,839 | 9,603,369 | 1,135,537 | 11,795,097 |

Number of wells
As of June 30, 2015

| By Location | Producer | Injectors | Total |
|--------------------|-----------------|------------------|--------------|
| Grissom | 210 | 106 | 316 |
| White | 213 | 126 | 339 |
| Chaffee | 211 | 137 | 348 |
| Freeman | 210 | 121 | 331 |
| Pier J | 105 | 66 | 171 |
| Total | 949 | 556 | 1,505 |

| By Reservoir | | | |
|---------------------|------------|------------|--------------|
| SHALLOW GAS | 3 | 0 | 3 |
| TAR | 12 | 3 | 15 |
| RANGER | 679 | 399 | 1,078 |
| TERMINAL | 153 | 91 | 244 |
| UP-Ford | 98 | 63 | 161 |
| 237 | 4 | 0 | 4 |
| Total | 949 | 556 | 1,505 |



August 06, 2015

Christopher J. Garner, Director
Long Beach Gas and Oil Department
2400 East Spring Street
Long Beach, CA 90806

Dear Mr. Garner:

Subject: 21-15 - Thums Request
Final Report and Closing Statement
Annual Plan (July 1, 2014 - June 30, 2015)

In accordance with provisions of Part IV, Section C, of the Annual Plan, we are submitting for your approval this final report and closing statement to the Annual Plan covering the period July 1, 2014 through June 30, 2015. This report contains a reconciliation of Unit activities by category.

DEVELOPMENT DRILLING

The Development Drilling category provides funding for all drilling and redrilling activity, as well as maintenance and replacement of drilling equipment within the Unit.

Operations Review

FY2015 reflects the successful implementation of the Unit's operation strategy that has attempted to manage the fluctuations in the oil price environment. During the FY2015 Plan period, operations activities adapted to manage persistent commodity market risk while maximizing return to the Unit. During the period, the Unit operated 1.8 rigs (3 rigs from July 2014 – October 2014, 2.5 rigs in November, 1.5 rigs in December and 1 rig since January 2015). A total of 47 wells were drilled and completed during the period. The following is a listing of both new completions and redrills by zone:

| Zone | New Completions | | | Redrills | | |
|----------|-----------------|-----|-------|----------|-----|-------|
| | Prod | Inj | Total | Prod | Inj | Total |
| Tar | 2 | 0 | 2 | 0 | 0 | 0 |
| Ranger | 8 | 4 | 12 | 19 | 6 | 25 |
| Terminal | 2 | 0 | 2 | 0 | 0 | 0 |
| UP-Ford | 2 | 0 | 2 | 2 | 2 | 4 |
| 237 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 14 | 4 | 18 | 21 | 8 | 29 |

On June 30, 2015, the total number of wells in the Unit was 1,505, of which 731 were active producers, 492 were active injectors, and 282 wells were shut in due to mechanical or reservoir related issues. Excluded from these totals are the abandoned wells.

Budget to Actual Variance

The Plan provided funds for 78 new and redrilled wells that were to be drilled with 3 full-time drilling rigs. The actual number of wells drilled and completed was 47 using 1.8 drilling rigs.

Total spending for Development Drilling was \$82.0 million, compared to \$138.6 million approved budget. Due to reduced activity, number of rigs and well completions were lower than planned and drilling expense was 59% of the planned amount.

OPERATING EXPENSE

The Operating Expense Category provides funding for the ongoing cost of day-to-day well production and injection operations necessary for producing, processing, and delivering crude oil and gas, for all electric power costs and abandonment costs.

Operations Review

- Unit oil production during the Plan period averaged 23,975 bbls/day, which was 22 bbls/day lower than the Plan estimate.
- Gas production averaged 9,098 mcf/day, which was 699 mcf/day higher than the Plan estimate.
- Water injection averaged 1,135,537 bbls/day, which was 14,652 bbls/day higher than originally estimated in the Plan. Water production averaged 1,065,839 bbls/day, which was 26,163 bbls/day more than the Plan estimate.
- The average price for Unit crude was \$66.60/bbl during the Plan period. The Plan was based on \$70.00/bbl crude. The average price for Unit gas was \$2.63/mcf and the Plan was based on \$4.00/mcf.

Budget to Actual Variance

The budget for the Operating Expense category was \$102.7 million, of which \$95.3 million, or 93%, was spent. The lower spending was primarily due to lower plant fuel cost as well as reduction in capital workover and maintenance jobs.

FACILITIES, MAINTENANCE AND PLANT

The Facilities, Maintenance and Plant Category provides funds for maintenance, repairs, upgrades, additions of surface facilities and pipelines, and costs for general field services.

Operations Review

Projects with significant expenditures during the fiscal year include the following:

- THUMS Tank and Vessel
- Chaffee NE Quadrant Piping Project
- White Injection Pump
- THUMS Oil Transfer Pump Project
- Freeman Injection Pump
- THUMS Regulated Pipeline Inspection Survey and Evaluation
- White: Material Shop & Construction
- Freeman Trench Line Replacement
- THUMS Capacity - Clarifiers to Surge Tank Piping

Budget to Actual Variance

The Facilities, Maintenance and Plant Category had a budget of \$82.6 million, of which \$71.6 million, or 87%, was spent. The lower spending level was primarily related to reduction in activity in concert with price environment.

UNIT FIELD LABOR AND ADMINISTRATIVE

The Unit Field Labor and Administrative Category provides funding for salaries, benefits, training, and other expenses of all Unit personnel, and costs for other Unit support activities. Unit support activities include costs for professional and temporary services, data processing and general office equipment and materials, Unit Operator billable costs, Oxy Long Beach, Inc./California Resources Long Beach Inc. billable costs, management projects, extraordinary losses and claims, and prior year adjustments.

Budget to Actual Variance

The Unit Field Labor and Administrative category had a budget of \$57.7 million, while actual spend was 33% lower at \$38.8 million. The lower spending was due to lower than anticipated activity level, shared services, and pension payments.

TAXES, PERMITS, AND ADMINISTRATIVE OVERHEAD

The Taxes, Permits, and Administrative Overhead Category provides funding for specific taxes, permits, licenses, land leases, and all administrative overhead costs for the Unit.

Budget to Actual Variance

The Taxes, Permits, and Administrative Overhead category had a budget of \$54.4 million, while actual spend was 26% lower at \$40.5 million. The lower spending was related to lower actual Ad Valorem and planned taxes.

SUMMARY

The Long Beach Unit FY2015 budget was \$435.9 million, of which \$328.2 million, or 75%, was spent. Despite lower realized oil price than built into the Plan, fiscal year profit was \$266.1 million in comparison to \$189.5 million originally estimated in the Plan.

Significant effort was made during the Plan period to achieve best-in-class waterflood performance, which is paramount to increasing long-term value for the Unit. The development program was successfully implemented, which was optimized for capital investment, cash flow and market volatility, while maintaining focus on health, environment and safety. Your concurrence with this Final Report and Closing Statement of the Annual Plan is requested.

Yours very truly,



Frank Komin
EVP South Operations

APPROVED:

Christopher J. Garner Date

PR
Attachments
cc: Management Team